

Message Text

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PAGE 01 MANAMA 01834 01 OF 02 141155Z
ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 L-03 H-01 /105 W
-----087120 141228Z /50

R 141045Z AUG 78
FM AMEMBASSY MANAMA
TO SECSTATE WASHDC 6524
INFO AMEMBASSY ABU DHABI
AMEMBASSY AMMAN
AMEMBASSY ATHENS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT
AMEMBASSY MUSCAT
USDOC WASHDC

LIMITED OFFICIAL USE SECTION 1 OF 2 MANAMA 1834

ATHENS FOR RTDO

E.O. 11652: N/A
TAGS: ETRD, BA
SUBJECT: BOYCOTT: TRADE IMPACT OF US LEGISLATION

REF: STATE 194719

(A) THE GREATEST IDENTIFIABLE IMPACT AT PRESENT IS CAUSED BY THE PROHIBITION AGAINST SUPPLYING INFORMATION TO BOYCOTT OFFICE, WHICH IN OPINION OF BOTH BUSINESS COMMUNITY AND EMBOFFS IS ALSO LEAST DEFENSIBLE SECTION OF EAA LOGICALLY AND CONSTITUTIONALLY. BAHRAIN LAW REQUIRES, FOR THE REGISTRATION OF VIRTUALLY ANY NEW, AMENDED OR RENEWED COMMERCIAL AGREEMENT, A STATEMENT FROM THE LOCAL
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PAGE 02 MANAMA 01834 01 OF 02 141155Z

BOYCOTT OF ISRAEL OFFICE THAT THE FIRMS ARE "CLEAN". IN THE PAST, INFORMATION IN THE BOYCOTT OFFICE FILES WHICH WOULD NOT REQUIRE BOYCOTT ACTION WERE RAPIDLY CLEARED AS EASILY AS A LETTER FROM THE AFFECTED FIRM. NOW U.S. FIRMS CANNOT RESPOND EVEN AGAINST SPECIOUS INFORMATION AND THEREFORE REGISTRATIONS ARE DENIED. THE WORST CASE RESULT CAN BE THAT EVENTUALLY EVEN THE BEST, LONG-TERM AGENCIES WILL BE UNREGISTERABLE CAUSING

BARRAINI FIRMS TO SEEK COMPETITOR AGENCIES IN ORDER TO MAINTAIN PROTECTION OF LONG-TERM INTERESTS.

(B) PRIVATELY BAHRAINIS WOULD RATHER NOT BE SUBJECT TO THE BOYCOTT RULES AND ARE NOT CONVINCED THAT THEY HAVE HAD ANY NEGATIVE EFFECT ON ISRAEL. THUS THEY ARE WILLING TO BE AS LIBERAL AS POSSIBLE IN ADAPTING RULES AND PRACTICES TO ACCOMMODATE THE EAA. HOWEVER, AS ONE OF THE MORE VULNERABLE COUNTRIES TO OUTSIDE ARAB PRESSURES, BAHRAIN CANNOT BECOME A LEADER IN SUCH LIBERALIZATION. BAHRAIN FOLLOWS SAUDI ARABIA IN ADAPTIATION TO EEA (AS IN MOST OTHER MATTERS OF THIS TYPE). THE SAUDI ATTITUDE HAS MEANT THAT BAHRAIN IS RELATIVELY EASY TO DEAL WITH. THERE HAVE BEEN REAL CHANGES IN L/C AND SHIPPING DOCUMENT LANGUAGE FOR EXAMPLE. WE HAVE BEEN ADVISED THAT BOYCOTT LANGUAGE IN TENDER DOCUMENTS CAN BE IGNORED SAFELY BUT HAVE HAD NO OPPORTUNITY TO TEST THIS. WE MAY EVEN BE SUCCESSFUL IN HAVING SPECIFIC BOYCOTT LANGUAGE REMOVED FROM TENDER DOCUMENTS WITH MORE GENERAL "OBEDIENCE OF NATIONAL LAWS" LANGUAGE SUBSTITUTED.

(C) IN SMALLER TRANSACTIONS BAHRAINIS HAVE USUALLY MADE THEIR OWN SPECIFIC SELECTIONS AND WE HAVE HAD NOT LARGER PROJECTS RECENTLY WITH AMERICAN CONSULTANTS OR DESIGNERS IN WHICH THE EAA VERSION OF "UNILATERAL SELECTION" WOULD APPLY. SEVERAL PROMINENT BAHRAINIS HAVE EXPRESSED RESENTMENT THAT THE EAA DOES NOT PERMIT THEM TO MAKE THE SAME PRUDENT JUDGMENTS MADE IN COMMERCE WORLD-WIDE -- THAT OF SELECTING SEVERAL FIRMS OF LIMITED OFFICIAL USE

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PAGE 03 MANAMA 01834 01 OF 02 141155Z

CHOICE BECAUSE OF PAST EXPERIENCE, REPUTATION OR SERVICE SUPPORT AND LETTING A U.S. AGENT MAKE THE FINAL CHOICE.

(D) THE EMBASSY HAS NO EVIDENCE TO SUPPORT AN EFFECT OF FIRM SIZE ON EAA IMPACT IN EITHER DIRECTION. OTHER POSTS' REPLIES INDICATING THAT LARGER FIRMS WITH LARGER LEGAL STAFFS MAY BENEFIT APPEAL TO LOGIC AT FIRST GLANCE BUT OUR LIMITED EXPERIENCE INDICATES THE OPPOSITE MAY OCCUR. THE LARGEST U.S. FIRM IN BAHRAIN HAS ONE U.S. RESIDENT ATTORNEY DEALING ONLY WITH U.S. ANTIBOYCOTT LEGISLATION AND THAT MAN'S ADVICE TO THE ENTIRE STAFF HERE IS TO KEEP AS FAR AWAY FROM ANY POTENTIAL VIOLATION AS POSSIBLE. ON THE OTHER HAND SMALLER FIRMS WITH SMALL OPERATIONS IN BAHRAIN APPEAR TO HAVE WARNED THEIR STAFF OF OBVIOUS VIOLATIONS WITH THE HOPE INADVERTANT VIOLATIONS WILL BE FORGIVEN. WE ARE AWARE OF ONLY

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PAGE 01 MANAMA 01834 02 OF 02 141147Z
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LIMITED OFFICIAL USE SECTION 2 OF 2 MANAMA 1834

ATHENS FOR RTDO

ONE LARGE FIRM BUT SEVERAL SMALL FIRMS STEPPING NEAR TO (BUT STILL INSIDE) THE VIOLATION LINE TO DATE. KUWAIT'S REPORTING ON GENERATOR BIDS AND ECONOFF'S EXPERIENCE IN WASHINGTON DEALING WITH ANTITRUST CONFIRM THAT LARGER LEGAL STAFFS VERY OFTEN CONTRIBUTE TO COMPANY CONSERVATISM.

(E) WE HAVE RECEIVED NO REACTION ON REPORTING REQUIREMENTS.

(F) WE HAVE NO EVIDENCE THAT FALSE ALLEGATIONS AGAINST AMERICAN FIRMS HAVE BEEN USED BUT THE IDEA IS COMMON ENOUGH IN LOCAL CONVERSATION THAT SOME INSTANCES ARE BOUND TO OCCUR. REFTEL QUESTION RELATES ONLY TO THIRD COUNTRY BUT ONE LOCAL MERCHANT
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PAGE 02 MANAMA 01834 02 OF 02 141147Z

HANDLING PRIMARILY EUROPEAN AGENCIES TOLD EMBOFF THAT WE HAD GIVEN HIM OPPORTUNITY TO ELIMINATE MUCH OF HIS OPPOSITION WITH THIS CLAUSE. WE BELIEVE THIS MAN WAS JOKING BUT ...

(G) U.S. BUSINESSMEN ARE AWARE OF OVERLAPPING PROHIBITIONS BUT NONE HAVE BEEN ABLE TO POINT TO SPECIFIC INSTANCES WHERE THESE HAVE INHIBITED U.S. EXPORTS. UNCERTAINTIES, SWITCHES AND SUDDEN

MOVES IN THESE AND OTHER RECENT U.S. LAWS AFFECTING EXPORTS AND FOREIGN RESIDENCE ARE WITHOUT QUESTION THE RPT THE MAJOR OBSTACLE TO IMPROVED U.S. EXPORT PERFORMANCE TODAY.

(H) THERE IS NO PRESENT MEANS OF MEASURING THE IMPACT OF ANTI-BOYCOTT LEGISLATION AND BY TIME MEANS ARE AVAILABLE FOR SOME MEASURE OF IMPACT (IF ANY) IT WILL BE TOO LATE FOR FULL RECOVERY. IN BAHRAIN WE HAVE HAD NO RECENT MAJOR PROJECTS OR GOVERNMENT BIDS TO WHICH WE CAN POINT AS EVIDENCE OF IMPACT. IN SMALLER DAILY TRANSACTIONS WE KNOW THAT MERCHANTS IN SOME CASES HAVE SWITCHED FROM KNOWN U.S. SUPPLIERS TO OTHERS WHEN REQUESTED TO ADJUST DOCUMENTATION OR PROCEDURES TO CONFORM TO EAA. WE CANNOT MEASURE THIS IMPACT NOR CAN WE BE CERTAIN THAT THESE SWITCHES WOULD NOT HAVE BEEN MADE IN ANY CASE NOW THAT SOME CHEAPER FOREIGN GOODS ARE GAINING AN IMPROVED REPUTATION IN THIS REGION.

(I) SAME ANSWER AS (H).
POWERS

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Disposition Approved on Date:
Disposition Case Number: n/a
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Secure: OPEN
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TAGS: ETRD, BA, US
To: STATE
Type: TE
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